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TAGS: [PREL](#) [ENRG](#) [ECON](#) [EAID](#) [XL](#)  
SUBJECT: CHAVEZ LAVISHES ATTENTION ON DOMINICA AFTER ST.  
KITTS PETROCARIBE SUMMIT

Classified By: Charge d'Affaires, a.i. D. Brent Hardt, reasons 1.4 (b).

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Summary  
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¶1. (C) On June 12th, the 18 member states of Venezuela's PetroCaribe agreement held their 6th annual summit on the island nation of St. Kitts and Nevis; President Hugo Chavez of Venezuela was the headliner. Citing the dynamic nature of oil prices and the global economy, St. Kitts PM Denzil Douglas called for periodic reviews of the agreement to maximize the benefit to PetroCaribe's members. After the conclusion of the summit, Chavez paid a visit to Dominica, where he highlighted a number of completed and planned development projects, including a fuel storage and distribution plant and a proposed ALBA bank office for the island. Chavez continues to lavish disproportionate attention on Dominica, in what appears to be a (so far successful) effort to legitimize ALBA and PetroCaribe. PM Skerrit heaped praise on Chavez and Venezuela for their commitment to the region. End Summary.

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Douglas Calls for Periodic Reviews  
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¶2. (C) Under the current PetroCaribe agreement, countries are able to defer payment of up to 60% of the cost of oil shipments, which is paid over a 25 year period with a one percent interest charge. Douglas called PetroCaribe one of the most progressive agreements in the Western Hemisphere and recognized the contribution the agreement has made to St. Kitts and Nevis and their ability to sustain development. Following his initial praise, Douglas then commented the PetroCaribe agreement may need tweaking from time to time to ensure the maximum benefits to the members. "The PetroCaribe agreement was conceptualized a few years ago and much has changed since then," Douglas stated. Suggesting the environment in which PetroCaribe is being implemented is very dynamic with the rise and fall of oil prices over the past few years, it would be necessary to reevaluate the agreement from time to time.

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Venezuela to Build Refineries (?)  
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¶3. (C) At the summit, Chavez vowed to strengthen PetroCaribe and rejected suggestions that Venezuela would not be able to sustain PetroCaribe due to the drop in oil prices over the last year. With plans to bolster the agreement by building and upgrading refineries across the region, Chavez said he is looking to increase deliveries under PetroCaribe, which he said currently stand at 121,000 barrels per day. Currently Venezuela delivers refined oil products to the PetroCaribe

members of the Eastern Caribbean, as none have refining capacity. Venezuela had in fact planned to build a refinery in Dominica, but plans were shelved in 2008 when the local government reversed course on the project following strong opposition from environmental and tourism groups who argued that a refinery would be at cross-purposes with Dominica's efforts to brand itself as the "Nature Island" of the Caribbean.

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Chavez Lavishes Attention, Money on Dominica  
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¶4. (U) Following the conference, Chavez visited Dominica to open the \$35 million Waitukubuli Fuel Storage and Distribution Plant. Chavez and Dominica PM Roosevelt Skerrit officially opened the facility to large cheering crowds, announcing that the facility, which will hold 25,000 "barrels" of diesel, 10,000 barrels of gasoline, 2000 barrels of jet fuel and 2000 barrels of LPG, would distribute LPG free of charge to the elderly and the poorest of the poor on the island. According to local media, Chavez promised during the ceremony that "All the oil Dominica will need for the next 200 years will be right there in Venezuela."

¶5. (U) Chavez also used the visit to highlight other ongoing and planned projects in Dominica: \$18.5 million already invested for improvements to the Melville Hall airport (primarily extending the runway into the sea and associated seawall works, all of which by most reports have been of dubious quality and well behind schedule), around \$11 million spent for "sea defense and roadworks" in the villages of Soufriere and Scotts Head (likely the road works Venezuela

undertook following Hurricane Dean in 2007), and almost \$11 million to "finance the housing revolution" (details unknown). Chavez also cited undefined additional "areas of cooperation" in national security, agriculture, tourism, human resource development, construction of primary schools, and implementation of community-based projects island-wide, and pledged to open a branch of the ALBA bank in Dominica and to build a coffee processing plant on the island. (Note: The national security assistance likely refers to a 40' Sea Ark patrol boat purchased for Dominica's coast guard by Venezuela. End note.)

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Skerrit Sings for His Supper  
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¶6. (C) Reciprocating Chavez's largesse in the only way a cash-strapped micro-economy can, a clearly sycophantish PM Skerrit demonstrated how he has begun to model his leadership style on Chavez. During the opening of the oil facility, Skerrit stated that "we must recognize the tremendous commitment of President Chavez and the people of Venezuela. This is a leader with vision. A leader who is prepared to use his friendship to extend a lending hand to many countries including Dominica and we thank God for Hugo Chavez". Skerrit has even taken to wearing red "Chavista"-style shirts, as he did to the opening, and has been giving money directly to the public on build up his cult of patronage, at the expense of more organized government assistance programs. This style of government is slowly altering the political landscape on the island as the opposition parties are unable to compete with the Venezuelan transfer payments that are being spread liberally throughout the countryside by the ruling party.

¶7. (C) Skerrit also took the occasion to launch a spirited defense of his country's engagement with Venezuela through PetroCaribe and ALBA. Observing that he had faced "tremendous untold criticism" when he had first signed up to PetroCaribe, Skerrit said it had emerged as "the lifeblood of the economies of several countries." He said Dominica joined ALBA as a "matter of principle" because he and the Dominican people appreciated "the commitment of President Chavez to addressing social and economic inequality among the poor

people of our region." Skerrit noted that the fuel storage and distribution plant reflected the "expansion, the broadening and the strengthening of the bilateral relationship between Venezuela and Dominica," and he promised to work with other PetroCaribe members to bring greater attention to the initiative at the UN General Assembly. He concluded with a paean to Chavez that his leadership in the Caribbean and the world was "well respected and well regarded," and a pledge to "continue to hold hands tightly together." "Thank God for Chavez," he said to what the Dominican government's official web site described as "an unending chorus of thunderous applause from the huge gathering."

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It's All About the Money  
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¶18. (C) Dr. Filbert Aaron, the ALBA Coordinator for Dominica, assured poloff that Dominica's relationship with ALBA was based on economic, cultural and social ties between neighbors. Parroting Skerrit's infatuation, Aaron expressed confidence that Venezuela can help Dominica escape economic stagnation and has provided a lifeline during this period of global recession. Aaron stated that the region has been abandoned by the U.S. after the cold war, despite "all that Dominica has done for the U.S. during those difficult times." Aaron stressed that the U.S. and Dominica still have a good relationship, but that they would welcome greater assistance of the kind provided by ALBA.

¶19. (C) Sean Douglas, the PM's press secretary likewise classified ALBA as an economic (vice political or military) alliance. According to Douglas, Venezuela provides grant funding, which helps keeps Dominica free of debt. Even during the current recession, he crowed, none of the Venezuelan-funded projects have been stopped, allowing the Dominican economy to survive the loss of earnings from banana exports. Douglas stated that in the last three years, over 100 million USD has been donated by the Venezuelan government, including housing developments, airport improvements and general humanitarian assistance. In terms of agricultural assistance, he predicted that the recent plans for a coffee processing plant will allow farmers to focus on growing coffee confident that they will have a willing market to buy their goods. (Note: Dominica

currently does not produce coffee in meaningful quantities, and coffee growers in nearby St. Lucia have told us that starting new production would require at least one year to grow new plants. End note.)

¶10. (C) Colin Cover, the general manager of the (U.S.-owned) power company in Dominica, told emboffs that although Dominica is able to import oil from anywhere, the PetroCaribe price is hard to beat and for now Venezuela is the only supplier of oil to Dominica. He added, though, that Venezuela often does not come through on its public relations promises, noting for example that recently a free cylinder of cooking gas for each household was promised, but never materialized.

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COMMENT  
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¶11. (C) To the extent that Venezuela can strengthen its economic influence over the region by increasing dependence on Venezuelan oil products, these islands will be slow to move to develop the vast alternative energy resources that are available but that carry fairly heavy start-up costs and uncertain commercial prospects in small national markets. Nevertheless, both Dominica and Nevis appear to be moving "full steam ahead" with geothermal projects, with both developments having energy export possibilities to neighboring islands.

¶12. (C) While the immense attention Chavez is lavishing on Dominica is certainly disproportionate to the size and

importance of the country, it does provide a manageable "pilot program" country for Venezuela to test out new ventures and, with every successful project, bolster the legitimacy of ALBA as a regional development tool and Venezuela as the premier partner of choice for the Eastern Caribbean. Dominica will continue to take whatever largesse is thrown its way, with the quid pro quo likely being docile acceptance of and support for Venezuela and ALBA in international fora, as reflected in Prime Minister Skerrit's gushing praise of Chavez and willingness to back Venezuelan goals in the OAS and UN.

HARDT